

Message Text

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ACTION EB-11

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SUBJECT/ MUSHROOMS

REF TAIPEI 6941

1. ECONCOUNS MET NOVEMBER 29 WITH Y.T. WONG, DIRECTOR OF BOARD OF FOREIGN TRADE; CHEN-KAI CHEN, DEPARTMENT OF AGRICULTURE AND FORESTRY, TAIWAN PROVINCIAL GOVERNMENT; AND REPRESENTATIVES OF TAIWAN MUSHROOM PACKERS ORGANIZATION. WONG STATED THAT HE HAD DISCUSSED SERIOUSNESS OF MUSHROOM PROBLEM WITH PACKERS BUT THEY WISHED TO HEAR ABOUT IT DIRECTLY FROM REPRESENTATIVE OF USG. ECONCOUNS BRIEFED THEM THOROUGHLY, DRAWING ON INFORMATION PROVIDED BY DEPARTMENT. AT CLOSE OF BRIEFING THEY ASKED A FEW QUESTIONS, THEN LEFT THE ROOM AND DID NOT RETURN.

2. FROM NATURE OF QUESTIONS ASKED, IT WAS OBVIOUS THAT WONG HAD NOT DISCUSSED CONTENTS OF US PROPOSAL OF SEPTEMBER 6 WITH PACKERS. HE ADMITTED AS MUCH, JUSTIFYING HIS TARDINESS ON GROUNDS THAT HE WANTED TO WAIT TO DO SO UNTIL AFTER HE RETURNED FROM WASHINGTON IN LATE OCTOBER. HE ALSO WANTED PACKERS TO HAVE THE OPPORTUNITY TO HEAR DIRECTLY FROM USG SPOKESMAN THAT USG VIEWED MUSHROOM PROBLEM WITH DEEP CONCERN AND THAT UNLESS ACTION WAS TAKEN BY ROC TO HELP RESOLVE PROBLEM USG MIGHT BE
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FORCED TO ADOPT MEASURES WHICH WOULD NOT BE IN THE LONG-

TERM INTERESTS OF THE PACKERS. AFTER PACKERS LEFT WONG
AVERRED THAT THEY WILL NOW REALIZE THAT RESTRAINT
ARRANGEMENT IS PREFERABLE ALTERNATIVE AND HE EXPRESSED
CONFIDENCE THAT HE WILL BE ABLE TO CONVINCE THEM THAT US
PROPOSAL-WITH CERTAIN MODIFICATIONS-IS ACCEPTABLE.

3. ASKED WHAT HE MEANT BY "WITH CERTAIN MODIFICATIONS",
WONG STATED THAT IT WILL BE MOST DIFFICULT FOR PACKERS
TO ACCEPT BASE PERIOD BASED ON ACTUAL CY 1972 AND
PROJECTED CY 1973 EXPORTS. SUCH A BASE PERIOD WILL
BENEFIT KOREA AT THE EXPENSE OF ROC. ALSO, PACKERS WILL
HAVE DIFFICULTY IN ACCEPTING GROWTH RATE FORMULA PROPOSED
BY US SINCE THEY WILL WANT TO PARTICIPATE FULLY IN ANY
MARKET GROWTH. WHEN ASKED IF GRC CONSIDERED US PROPOSALS
SATISFACTORY ON BASE PERIOD AND GROWTH RATE. WONG MERELY
COMMENTED THAT HE COULD NOT ANSWER UNTIL HE HAD A CHANCE
TO CONSULT WITH PACKERS. WONG DID STATE THAT ON ONE
POINT WE COULD NOW AGREE, I.E., THAT ARRANGEMENT WOULD
BE IN FORCE FOR THREE-YEAR PERIOD CY 1974-1976.

4. WONG WAS REMINDED THAT US IS MOST INTERESTED IN
HAVING ARRANGEMENT GO INTO EFFECT BEGINNING OF CY 1974.
THIS DOES NOT LEAVE MUCH TIME TO CONCLUDE ALL
THE DETAILS. HE AGREED AND STATED THAT HE WOULD MEET
WITH PACKERS AS SOON AS POSSIBLE. HE PROMISED TO DELIVER
FORMAL REPLY TO US PROPOSALS NO LATER THAN DECEMBER 12.

5. REGARDING FORM OF ARRANGEMENT, WONG STATED GRC IS
NOT WILLING TO MAKE UNILATERAL DECLARATION OF INTENT,
AS WAS DONE IN 1968 MEMORANDUM OF CONVERSATION. AT THAT
TIME KOREA WAS JUST BEGINNING TO EXPORT TO US AND POSED
NO THREAT TO ROC. NOW, HOWEVER, KOREA IS MAJOR EXPORTER
AND GRC MUST HAVE ASSURANCES FROM USG IN WRITING THAT
KOREA WILL NOT BE ALLOWED TO INCREASE EXPORTS AT ROC
EXPENSE. WONG STATED THAT HE HAS ENOUGH EXPERIENCE WITH
HOW KOREANS OPERATE TO KNOW THAT THEY WILL DEMAND
"SPECIAL TREATMENT". USG MIGHT AS WELL KNOW NOW THAT
IF KOREAN DEMAND ACCEPTED GRC CANNOT AGREE TO LIMITATIONS
ON EXPORTS. GRC WOULD ALSO LIKE ASSURANCES
FROM USG THAT OTHER SUPPLIERS, PARTICULARLY IN LATIN
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AMERICA, ARE NOT PERMITTED TO INCREASE EXPORTS TO US AT
ROC EXPENSE. THEY ALSO SHOULD BE WILLING TO ACCEPT BASE
PERIOD AND GROWTH RATE FORMULA. IT WAS POINTED OUT TO
WONG THAT IT WOULD BE DIFFICULT TO ESTABLISH A BASE
PERIOD FOR MANY LATIN AMERICAN COUNTRIES WHICH ARE
JUST NOW ENTERING THE EXPORT MARKET. HE AGREED AND
SUGGESTED THAT "OTHER" EXPORTS (NOT INCLUDING ROC AND
KOREA) COULD BE LUMPED TOGETHER. IF THEIR EXPORTS

DURING BASE PERIOD TOTALLED, FOR EXAMPLE, 10 PERCENT OF US MARKET, USG WOULD AGREE THAT THAT FIGURE WOULD NOT BE EXCEEDED DURING LIFE OF ARRANGEMENT. IT WOULD BE UP TO USG TO DETERMINE HOW EXPORTS OF "OTHER" EXPORTERS WOULD BE ALLOCATED.

6. FINAL POINT MADE BY WONG WAS THAT GRC WILLINGNESS TO ENTER INTO ARRANGEMENT IS PREDICATED ON KOREAN WILLINGNESS. GRC WILL NOT IMPOSE EXPORT CONTROLS ON PACKERS UNTIL IT RECEIVES ASSURANCES FROM USG IN WRITING THAT KOREAN GOVERNMENT HAS IMPOSED SIMILAR CONTROLS.

7. COMMENT: EMBASSY BELIEVES
GRC EVENTUALLY WILL ACCEPT THE US PROPOSAL REGARDING THE BASE PERIOD BUT WE MAY HAVE TO GIVE A LITTLE ON THE GROWTH RATE. THE MOST DIFFICULT PROBLEM TO BE RESOLVED IS THAT OF THE FORM OF THE ARRANGEMENT. THE GRC IS VERY CONCERNED ABOUT THE GROWING ECONOMIC STRENGTH OF KOREA AND THAT COUNTRY'S ABILITY TO PENETRATE MARKETS WHERE THE ROC ALSO IS ACTIVE. IT IS HIGHLY UNLIKELY THAT THE GRC WILL AGREE TO LIMIT EXPORTS OF MUSHROOMS TO THE US UNLESS IT HAS ASSURANCES FROM THE USG IN WRITING THAT KOREA WILL NOT RECEIVE SPECIAL CONSIDERATION.
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